

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Paw Paw District Library	County Van Buren
Audit Date 12-31-04	Opinion Date 1-28-05	Date Accountant Report Submitted to State: 3-4-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

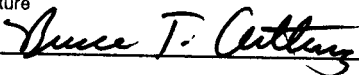
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.			
Street Address 303 Paw Paw Street		City Paw Paw	State MI
Accountant Signature 		ZIP 49079	Date

PAW PAW DISTRICT LIBRARY

Report on Audit of Financial Statements
For the Year Ended
December 31, 2004

CUTTING & CUTTING, P.C.
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January 28, 2005

INDEPENDENT AUDITOR'S REPORT

To the Paw Paw District Library Board
Paw Paw, Michigan

We have audited the accompanying financial statements of Paw Paw District Library as of December 31, 2004, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Paw Paw District Library, as of December 31, 2004, or the changes in its financial position for the year then ended.

Cutting & Cutting, P.C.

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
GENERAL FUND
PAW PAW DISTRICT LIBRARY
December 31

	<u>2004</u>	<u>2003</u>
Assets		
Cash and equivalents	\$ 436,371	\$ 285,616
Property taxes receivable	<u>490,084</u>	<u>472,184</u>
Total current assets	926,455	757,800
Restricted assets	<u>2,513</u>	<u>2,985</u>
	\$ <u>928,968</u>	\$ <u>760,785</u>
Liabilities and Fund Balance		
Deferred revenue	\$ <u>490,084</u>	\$ <u>472,184</u>
Total liabilities	490,084	472,184
Fund balance		
Reserved	302,513	202,985
Unreserved	<u>136,371</u>	<u>85,616</u>
Total fund balance	<u>438,884</u>	<u>288,601</u>
	\$ <u>928,968</u>	\$ <u>760,785</u>

STATEMENT OF CHANGES IN FUND BALANCES - CASH BASIS
Years ended December 31

	<u>2004</u>	<u>2003</u>
Revenues	\$ 614,275	\$ 563,009
Expenditures	<u>463,992</u>	<u>556,926</u>
Excess of revenues over expenditures	150,283	6,083
Beginning fund balance	<u>288,601</u>	<u>282,518</u>
Ending balance	\$ <u>438,884</u>	\$ <u>288,601</u>

See notes to financial statements.

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
PAW PAW DISTRICT LIBRARY
Year ended December 31

	<u>2004</u>			
	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2003</u>
Revenues				
Property taxes	\$ 501,355	\$ 522,812	\$ 21,457	\$ 479,828
State aid	10,725	16,207	5,482	1,613
Revenue sharing		3,246	3,246	3,246
Photocopying	2,000	2,135	135	2,454
Penal fines	60,000	55,860	(4,140)	63,745
Fines	5,670	7,610	1,940	6,573
Interest	2,000	4,257	2,257	2,906
Donations	800	1,441	641	2,055
Miscellaneous	<u>450</u>	<u>707</u>	<u>257</u>	<u>589</u>
	\$ <u>583,000</u>	\$ <u>614,275</u>	\$ <u>31,275</u>	\$ <u>563,009</u>
Expenses				
Salaries, fringe benefits, and related items	\$ 336,800	\$ 321,773	\$ 15,027	\$ 327,471
Supplies	16,500	12,668	3,832	14,015
Professional and contracted services	13,001	7,194	5,807	7,879
Telephone and utilities	24,400	18,064	6,336	20,861
Books, tapes and magazines	79,350	52,799	26,551	60,560
Travel and seminars	10,000	7,320	2,680	11,612
Insurance	7,500	7,046	454	6,498
Repairs	23,500	15,972	7,528	21,442
Capital outlay	73,000	19,067	53,933	25,718
Special events		957	(957)	(890)
Miscellaneous	1,200	1,132	68	1,893
Debt-principal				59,400
Debt-interest				467
Contingency	<u>14,749</u>	<u> </u>	<u>14,749</u>	<u> </u>
	\$ <u>600,000</u>	\$ <u>463,992</u>	\$ <u>136,008</u>	\$ <u>556,926</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
PAW PAW DISTRICT LIBRARY
December 31, 2004

Summary of significant accounting policies

The accompanying financial statements and budget information have been prepared using the cash basis of accounting.

A. Reporting Entity

During 1987 the electors voted to become a district library. The District conforms to the boundaries for the Paw Paw Public Schools, and includes a portion of the following townships: Alma, Antwerp, Lawrence, Paw Paw and Waverly. On August 11, 1987, at a special election, the electors voted to levy not more than one mill for twenty years. On June 13, 1994, the electors voted an additional .3 mill for library operations. In June, 1997 the electors voted an additional .5 mill for library operations. The Library's financial statements include the accounts of all library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability.

B. Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Cash and Investments

Michigan Compiled Laws, Section 397.182, authorizes the library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Library's deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Amount On Deposit</u>	<u>Carrying Value</u>
Insured	\$ 200,000	\$ 200,000
Not insured	242,157	238,784

D. Restricted assets contains the following amount:

Powless Memorial	\$ 2,513
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During 2004 the Library Board added \$100,000 to their previously reserved fund balance for capital improvement purposes. The current reserved fund balance is now \$300,000. This figure plus the Powless Memorial equals the \$302,513 in reserved fund balance as shown in the financial statement.

- E. General Obligation Limited Tax Bond
General Obligation Limited Tax Bonds were issued on October 1, 1990 in the amount of \$400,000.

Balance December 31, 2002	\$ 59,400
Repaid during year ended December 31, 2003	<u>59,400</u>
Balance December 31, 2003	\$ <u>- 0 -</u>

- F. Property Taxes
Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1 and are due on February 14. Taxes levied by the Library are collected by various townships and periodically remitted to the Library. The 2004 tax rate levied was 1.5974 mills.

- G. Budgets
Budgets are adopted on the cash basis and are amended from time to time.

- H. Risks
The Library is subject to certain risks of property loss, liability and personal injury. The Library has purchased various policies from commercial insurance companies to cover these risks.

- I. Change in Reporting Format
GASB 34 requires certain governmental units to change their reporting format to allow for recognition of physical assets, depreciation expense and certain other items. The Library has not adopted this format.

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January 28, 2005

Paw Paw District Library
Paw Paw, Michigan 49079

The audit work necessary to express an opinion on the financial statements of Paw Paw District Library included a review of the Library's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Internal Controls

There is not adequate segregation of duties in the accounting function. However, because of lack of personnel, this situation is not unusual in small governmental units.

The above comments are submitted to you to develop good accounting practices and are not intended to reflect upon the performance of any Library employee.

Cutting & Cutting, P.C.